Tropical Timber Market Report since 1990

Volume 12 Number 21, 1-15 November 2007

Snapshot

West African log prices have barely held steady after Far East buyers have slowed purchases in recent weeks. European importers also note that demand is limited for African logs, as more cost-effective substitutes can be obtained from Asia. With implementation of expected log export bans and restrictions in West Africa, it is expected that price rises for W. African logs will occur in 2008.

Bolivia experienced a 14% increase in the value of its wood products exports from January – August 2007, compared to the same period in 2006. China also continued its boom in wood products exports. During the first three quarters of 2007, the value of China's major wood products imports grew by 24% and the value of its exports rose 27.8%.

Recent government action also held some promise for controlling illegal logging and trade. The International Wood Products Association reported that the US House of Representatives had passed the Peru FTA, which includes elements addressing CITES regulations. The amended Lacey Act was also passed through the US House Natural Resources Committee. Both pieces of legislation have yet to be considered in the US Senate.

Contents

Headlines

International Tropical Timber Organization (ITTO)
Market Information Service (MIS)

International Organizations Center - 5th Floor, Pacifico-Yokohama
1-1-1 Minato-Mirai, Nishi-ku, Yokohama 220-0012, Japan
E-mail: mis@itto.or.jp **Website:** http://www.itto.or.jp

Report from Central/West Africa

China's buying pattern slips in West Africa

Some producers in Gabon are logging only okuome and some selected premium red species, notably sapele and sipo. This is in response to the change in China's buying patterns of logs, since interest in non-premium timbers has disappeared. This is also the case with exports from Congo Brazzaville. Prices have held so far, though exporters to Europe note with concern the oversupply of softwood sawn lumber in European markets, which has caused some Scandinavian shippers to scale down production. Although not directly competing with premium grade tropical hardwoods, this slow down indicates a dampening of market sentiment in the timber industry.

Winter in Europe normally brings a period of slower activity in the building and construction sector, though it is reported that house building in France and the Netherlands has improved. UK government also has signaled the need for a very substantial increase in house building, though it is likely to be considerable time before this translates into actual housing starts. The recent problems in the global financial world have tightened monetary supply and credit.

West African producers also note the change in Far East timber markets, which have slowed in recent weeks. Although there have not been dramatic decreases in prices, there is some weakness, especially in the plywood situation. This does not impact too heavily on West Africa where plywood exports are relatively small, but could well prompt tighter competition with Malaysia and Papua New Guinea for log sales to China. West African producers are having to settle into the log quota systems that are now being more fully implemented and the full effects of this restriction on log exports have yet to be seen.

Rains and expected export bans threaten W. Africa log prices increases

EUWID reported on how prices for W. African logs could shift in the new year. Noting that heavy rainfall and the implementation of log restrictions had hampered log felling in W. Africa, it was expected that price increases would occur for wood such as ovengkol and padouk. This would also be caused by changing preferences of Asian buyers, who are buying high value logs to maximize profits, as higher freight rates from Africa have made the cost of business less attractive. For now, prices in W. Africa are stable. However, prices could shift for particular markets such as Gabon, as importers have already noted that many companies had exceeded their export quota for 2007. Full implementation of Gabon's log export ban is expected to take place in 2008.

West Africa Log Prices

West Africa logs, FOB	€ per m^3		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	221	190	175
Ayous/Obéché/Wawa	221	205	168
Azobe & Ekki	152	152	91
Belli	198	198	-
Bibolo/Dibétou	168	168	114
Bubinga	533	457	381
Iroko	289	274	259
Okoume (60% CI, 40% CE, 20% CS)	-	150	-
Moabi	320	320	236
Movingui	205	190	152
Niove	129	129	-
Okan	198	198	152
Padouk	289	289	267
Sapele	282	282	236
Sipo/Utile	335	305	267
Tali	190	190	152

Gabon Okoumé logs, FAS*		€ per m^3	
		Asia	Europe
Grade	QS	213	219
	CI	171	171
	CE	146	150
	CS	108	111

*Based on SNBG official prices

West Africa Sawnwood Prices

West Africa sawnwood, FOB		€ per m^3
Ayous	FAS GMS	396
	Fixed sizes	427
Okoumé	FAS GMS	335
	Sel. & Bet. GMS Italy	310
	Sel. & Bet. fixed sizes	-
Sipo	FAS GMS	540
	FAS fixed sizes	-
	FAS scantlings	550
Padouk	FAS GMS	600
	FAS scantlings	630
	Strips	425
Sapele	FAS Spanish sizes	550
	FAS scantlings	580
Iroko	FAS GMS	458
	Scantlings	519
	Strips	304
Khaya	FAS GMS	396
	FAS fixed	427
Maobi	FAS GMS	630
	Scantlings	645
Movingui	FAS GMS	460

Report from Ghana

Ghana's PURC approves 35% increase in utility tariffs

Barely a few months after Ghana's 13-month prolonged energy power rationing crisis, which ended in September 2007, the Public Utility Regulatory Commission (PURC) has approved a 35% increase in electricity and water tariffs. The approval of the tariff was given in October 2007 and will take effect from 1st November 2007. The Electricity Company of Ghana (ECG) and Ghana Water Company (GWC) were expecting between a 60% and 100% increase, which was needed to enable them meet the increasing cost of power generation and to improve service quality.

According to the PURC, its approval of a 35% increase instead of the 60% - 100% was 'to protect the consumer and not burden them with the inefficiencies of ECG'. Ghanaians pay the lowest utility charges in the West-African sub-region, which makes it difficult to meet the cost of distributing electricity to consumers. Coupled with the crude oil prices on the world market, which compelled the government to increase fuel prices by 5% effective 1 November 2007, some market watchers speculate any increase in the production cost of businesses might have a corresponding rise in the price of goods.

Meanwhile, the Association of Ghana Industries (AGI) has assured the government of its preparedness to pay realistic tariffs on power if the PURC will ensure that inefficiencies by service providers are not passed onto the consumer. The AGI has also asked the government to close the gap between duties on imported raw materials and finished goods to encourage local manufacturing activities.

As at the first half of 2007, the ECG was indebted to the Volta River Authority (VRA) to the tune of GH¢87,700,000 (or USD93,796,791) due to its inability to pay the country's power generator for power bought from it. Meanwhile the government has said it will merge the ECG and the Northern Electrification Development (NED) as part of its energy sector reform initiatives. The merged company would also be re-organized into four strategic business units under a holding company. The four units would be constituted as the Northern, Central, Western and Capital Electric Companies and would be spun into fully-fledged companies within the ambit of the holding company.

Ghana Log Prices

Ghana logs, domestic	US$ per m^3	
	Up to 80cm	80cm+
Wawa	80-100↑	110-125↑
Odum Grade A	150-160	165-185
Ceiba	65-80↑	90-110↑
Chenchen	55-80	85-105
Khaya/Mahogany (Veneer Qual.)	70-90	95-120
Sapele Grade A	130-150	155-175
Makore (Veneer Qual.) Grade A	125-135	140-166

Ghana Sawnwood Prices

Ghana Sawnwood, FOB	€ per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	855	-
Asanfina	480	560
Ceiba	205	260
Dahoma	330	400
Edinam (mixed redwood)	390↑	450
Emeri	380↑	435
African mahogany (Ivorensis)	580	660↑
Makore	510	570
Niangon	550	-
Odum	650	730↓
Sapele	510	575
Wawa 1C & Select	255↑	280

Ghana sawnwood, domestic		US$ per m^3
Wawa	25x300x4.2m	210
Emeri	25x300x4.2m	275
Ceiba	25x300x4.2m	150
Dahoma	50x150x4.2m	306
Redwood	50x75x4.2m	210
Ofram	25x225x4.2m	255↓

Ghana Veneer Prices

Rotary Veneer, FOB	€ per m^3	
	CORE (1-1.9mm)	FACE (<2mm)
Bombax	325	350
Kyere, Ofram, Ogea & Otie	325	360
Chenchen	315	360
Ceiba	235	315
Mahogany	425	460

The above prices are for full sized panels, smaller sizes minus 15%. Thickness below 1mm would attract a 5% premium.

Rotary Veneer, FOB Core Grade 2mm & up	€ per m^3
Ceiba	245
Chenchen, Ogea & Essa	295
Ofram	305

Sliced Veneer, FOB	€ per m^2	
	Face	Backing
Afrormosia	1.80	1.00
Asanfina	1.80	0.88
Avodire	1.12↑	0.75
Chenchen	0.72	0.58↓
Mahogany	1.50↑	0.79↓
Makore	1.70	0.80
Odum	1.54	1.10

Ghana Plywood Prices

Plywood, FOB	€ per m^3			
B/BB, Thickness	Redwoods		Light Woods	
	WBP	MR	WBP	MR
4mm	560	465	500	360
6mm	380	315	335	385
9mm	388	305	290	280
12mm	340	285	270	240↓
15mm	350	290	300↑	250↓
18mm	300	290	265	240↓

Grade AB/BB would attract a premium of 5%. BB/BB would be 5% less, C/CC 10% less and CC/CC 15% less.

Ghana Added Value Product Prices

Parquet flooring 1st	FOB € per m^2		
	10x60x300mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	7.90	10.18	11.00
Hyedua	13.67	18.22	17.82
Afrormosia	13.25	15.70	17.82

Grade 2 less 5%, Grade 3 less 10%.

Report from Malaysia

Planted forest project to double timber production in Sarawak

The Star reported on Sarawak's new planted forest initiative, which aims to double annual roundwood production to 25 million m³. Thirty-eight licenses for projects have already been issued by the state government and it is hoped that enough projects will be established in order to harvest one million hectares of planted forests within thirteen years' time. The project has focused on planting *Acacia mangium*, but indigenous species are of growing interest. There are plans to initiate applied research on such species within the Sawawak Forestry's Applied Forest Science and Industry Development office, especially those on the brink of extinction such as some species of bamboo.

Bamboo will be planted as part of a project on park land to provide local villagers with raw material to generate income through a local handicraft enterprise. UNDP's Global Environment Facility Small Grants Programme, which is contributing a USD50,000 grant to fund such projects, has noted that the bamboo park was 'set to become a center of excellence for bamboo research and development'.

Malaysia Log Prices

Sarawak log, FOB	US$ per m^3
Meranti SQ up	309-330
Small	279-304
Super small	263-277
Keruing SQ up	276-289
Small	240-269
Super small	230-237
Kapur SQ up	253-267
Selangan Batu SQ up	279-304

Pen. Malaysia logs, domestic (SQ)	US$ per m^3
DR Meranti	358-405
Balau	290-324
Merbau	424-445
Rubberwood	238-257
Keruing	283-297

Peninsular Malaysian meranti logs are top grade and are used for scantlings for the EU. Their prices are higher than Sarawak's.

Malaysia Sawnwood Prices

Malaysia Sawnwood, FOB	US$ per m^3
White Meranti A & up	442-467
Seraya Scantlings (75x125 KD)	728-765
Sepetir Boards	326-341
Sesendok 25,50mm	451-482
Kembang Semangkok	433-453

Malaysian Sawnwood, domestic		US$ per m^3
Balau (25&50mm,100mm+)		349-369↑
Merbau		571-592↑
Kempas 50mmx(75,100 & 125mm)		290-308↑
Rubberwood	25x75x660mm up	281-308↑
	50-75mm Sq.	302-327
	>75mm Sq.	322-351

Malaysia Plywood Prices

Malaysia ply MR BB/CC, FOB	US$ per m^3
2.7mm	491-516
3mm	467-493
9mm & up	422-443

Meranti ply BB/CC, domestic	US$ per m^3
3mm	464-474
12-18mm	397-415

Other Malaysia Panel Prices

Malaysia, Other Panels, FOB		US$ per m^3
Particleboard	Export 12mm & up	227-244
	Domestic 12mm & up	212-230
MDF	Export 15-19mm	296-322↑
	Domestic 12-18mm	271-293↑

Malaysia Added Value Product Prices

Malaysia, Mouldings, FOB	US$ per m^3
Selagan Batu Decking	698-716
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	737-756
Grade B	642-657

Malaysia Furniture and Parts Prices

Malaysia, Rubberwood, FOB		US$ per piece
Semi-finished dining table		
solid laminated top 2.5'x4', extension leaf		56-73
As above, Oak Veneer		65-79
Windsor Chair		54-57
Colonial Chair		47-55
Queen Anne Chair (soft seat)	without arm	48-62
	with arm	52-62
Chair Seat 27x430x500mm		34-39

Rubberwood Tabletop	US$ per m^3
22x760x1220mm sanded & edge profiled	
Top Grade	627-637
Standard	590-610

Report from Indonesia

Indonesian Vice President notes shared responsibility for forest destruction

Kalla, the Indonesian Vice-President, said that western nations were partly to blame for Indonesia's forest destruction. According to *The Jakarta Post*, he said they must compensate Indonesia for lost forests, which have been cleared to plant oil palm and contributed to making Indonesia the world's third largest emitter of carbon emissions. Nevertheless, Kalla explained that the illegal felling was also done in cooperation with local entitites and regional governments, calling it 'an accident of history'.

Timber baron cleared of illegal logging charges

An Indonesian industrialist, Mr. Adelin Lis, was recently cleared of illegal logging charges following an intervention by the Forestry Minister, Mr. Malam Kaban. The Forestry Minister intervened during the investigation of Lis by presenting a letter claiming that Lis's activities were 'not a crime but were merely an administrative violation'. *The Sydney Morning Herald* reported on the incident, saying that the release of Lis undermines Indonesia's bid to receive a multi-billion dollar programme designed to prevent deforestation. The new programme will be discussed at the upcoming United Nations climate change conference in Bali this December.

Indonesia Log Prices (domestic)

Indonesia logs, domestic prices	US$ per m^3
Plywood logs	
Face Logs	240-279
Core logs	179-211↑
Sawlogs (Meranti)	235-275
Falcata logs	177-193↓
Rubberwood	210-233
Pine	205-230
Mahoni (plantation mahogany)	618-668

Indonesia Sawnwood Prices

Indonesia, construction material, domestic		US$ per m^3
Kampar (Ex-mill)	AD 3x12-15x400cm	246-255
	KD	332-344
	AD 3x20x400cm	353-371
	KD	376-387
Keruing (Ex-mill)	AD 3x12-15x400cm	282-292
	AD 2x20x400cm	271-281
	AD 3x30x400cm	275-287

Indonesia Plywood Prices

Indonesia ply MR BB/CC, FOB	US$ per m^3
2.7mm	488-515
3mm	426-486
6mm	400-424

MR Plywood (Jakarta), domestic	US$ per m^3
9mm	330-344
12mm	306-328
15mm	301-335

Other Indonesia Panel Prices

Indonesia, Other Panels, FOB		US$ per m^3
Particleboard	Export 9-18mm	236-247
	Domestic 9mm	198-216↑
	12-15mm	187-202↑
	18mm	181-187↑
MDF	Export 12-18mm	315-327
	Domestic 12-18mm	252-275

Indonesia Added Value Product Prices

Indonesia, Mouldings, FOB	US$ per m^3
Laminated Boards Falcata wood	386-406
Red Meranti Mouldings 11x68/92mm x 7ft up	
Grade A	693-725
Grade B	610-656

Report from Myanmar

MTE may feel the heat from the EU's proposed timber ban

EUWID reported on the possible impacts of the proposed EU timber ban on Myanmar (see TTM 12:20), noting the various responses of timber traders to the proposed measures. In Denmark, the company Dalhoff Larsen and Hornemann A/S (DLH) said in October that it would immediately stop buying teak from Myanmar. Other European importers have either enough stocks to meet demand or intend to purchase teak before the ban comes into force. Nevertheless, there is a concern by some that the banned timber would still find its way into the European market, possibly through other countries such as China.

Myanmar Log Prices (natural forests)

Teak Logs, FOB	€ Avg per Hoppus Ton (traded volume)		
Veneer Quality	Sep	Oct	6 mo. Avg
2nd Quality	5,175 (21 tons)	-	4,953
3rd Quality	4,707 (19 tons)	4,801 (10 tons)	4,667
4th Quality	4,259 (63 tons)	3,877 (57 tons)	4,281
Sawing Quality			
Grade 1 (SG-1)	2,828 (328 tons)	2,435 (312 tons)	2,820
Grade 2 (SG-2)	2,504 (405 tons)	2,364 (434 tons)	2,357
Grade 3 (SG-3)	2,013 (3 tons)	1,978 (79 tons)	1,807
Grade 4 (SG-4)	2,282 (382 tons)	2,197 (298 tons)	2,058
Grade 5 (SG-5) Assorted	1,839 (546 tons)	1,754 (627 tons)	1,578
Grade 6 (SG-6) Domestic	1,519 (517 tons)	1,567 (302 tons)	1,302
Grade 7 (ER-1)	1,064 (22 tons)	1,139 (177 tons)	967
Grade 8 (ER-2)	996 (3 tons)	11287 (205 tons)	1042

Hoppus ton=1.8m^3; All grades, except SG-3/5/6, are length 8' x girth 5' &up. SG-3/4/6 are girth 4' &up. SG-3 grade is higher than SG-4 but with lower girth and price.

Logs, FOB	€ Avg per Hoppus Ton (traded volume)
Pyinkado	294 (423 tons)
Gurjan (keruing)	--

Prices differ due to quality or girth at the time of the transaction.

Report from Brazil

Timber fair attracts 20,000 visitors

The '7th Machinery, Furniture and Timber Products Fair' and the '7th International Conference on Plywood and Tropical Timber' were held back-to-back under the theme 'perspectives on forest activities in the Amazon', from 23-27 October 2007 in Belém, Pará state, Northern Brazil. Discussions were centered on factors affecting the timber sector, such as unfavorable exchange rates, the growing market in China and the lack of clear public policies.

The Fair, organized by the Industry Association of Wood Exporters of Pará State (AIMEX), the Brazilian Association for Mechanically-Processed Timber (ABIMCI) and the Pará State Industry Federation FIEPA, brought together over 20,000 people. The event was directed to the solid and tropical timber sector. The event housed more than 150 exhibitors, which showed new technologies for the production of floorings, decks, doors, windows, panel, plywood, veneer and other products in 80 booths.

During the events, three publications on Amazon forest activities were launched: experiences with forest management in the National Forest of Tapajós; the Manual of Reforestation; and Forest Management in Várzeas (a seasonally flooded forest). The Tapajós publication explains an experience with a forest concession on a public land in Pará state. The reforestation manual details reforestation of degraded areas in Northern Brazil. The 'Varzeas' forest management publication shows examples of traditional forest management, including high and low-impact logging in several regions of Amazonas and Pará state.

BNDES announces timber sector loans

Sindimadeira RS said the Brazilian Economic Development Bank (BNDES) announced it would provide finance for the timber sector. The Timber Union of Rio Grande do Sul state (SINDIMADEIRA RS) has told its members of the possibility to register its members in the BNDES Operations Unit, which would assist them in obtaining finance using similar mechanisms of furniture manufacturers in Brazil.

This is an alternative to help micro, small and medium-sized companies (MSMEs) access financial resources of BNDES. The process consists of a pre-approved credit line of up to BRL250,000 by the financing bank (Bank BRADESCO, the Bank of Brazil and Federal Credit Bank Caixa Economica Federal) with fixed installments over a period of 36 months with a current interest rate of 1.0% per month. Over 67,000 products are available for purchasing.

The BNDES credit line already allows financing for acquisition of inputs for various sectors, which includes wood, leather, steel and glass for furniture, chemicals, iron or steel profiles, knobs, locks for furniture, and other items. In addition, the furniture manufacturers can also obtain financing for rough lumber, plywood, veneer and wood panels. Companies can be considered for a credit line if they have an annual revenue of up to BRL60 million, 60% of which should be obtained from national sources.

Brazil enacts law on export incentive loans

Correio da Paraíba said a new law (No. 11,529) ratified by the Brazilian government will grant tax and credit incentives to different Brazilian sectors of the economy, stimulating Brazil's competitiveness in domestic and international markets. These measures would benefit sectors that face difficulties because of the appreciation of the Brazilian Real against the US dollar. For instance, in the furniture sector, the new law would allow loans of BRL3 billion to companies that have a gross operational revenue of up to BRL 300 million. To obtain the BRL 3 billion, BRL2 billion would be obtained from the BNDES and BRL1 billion from a sectoral working capital fund. The resources would be for current assets, investments and exports, with loans of up to 36 months and an 18 month grace period. For investments, the loan period would be up to eight years, with a three-year grace period.

Brazil considers partnership with China

Netcomex reported on the visit of the president of the Brazil-China Chamber of Commerce and Industry to the Brazilian Association for Mechanically-Processed Timber (ABIMCI), where a profile of the Chinese timber and forest sectors was presented to 120 Brazilian entrepreneurs. The president of the Chamber said the visit would help stimulate a partnership with Brazil, as Brazil could learn from a number of China's lessons learned in raising the competitiveness of China's wood products. Brazilian entrepreneurs in the sector were particularly concerned over the lack of sectoral policies in Brazil.

According to the International Wood Products Association (IWPA), Brazil exported more than 400,000 m³ of tropical plywood to the US in 2003, compared with 437,000 m³ shipped from China. From January until June of 2007, China had already exported over 464,000 m³ to North America, while Brazil reduced its export to the US to 229,000 m³. China suggested that to remain in the market, Brazil could offer more value-added products and search for new markets.

Brazil Log Prices (domestic)

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	130
Jatoba	92
Guariuba	62
Mescla (white virola)	69

Brazil Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB		US$ per m^3
Jatoba Green (dressed)		839
Cambara KD		465
Asian Market (green)	Guariuba	265
	Angelim pedra	593
	Mandioqueira	234
Pine (AD)		193

Brazil sawnwood, domestic (Green)		US$ per m^3
Northern Mills (ex-mill)	Ipê	606
	Jatoba	459
Southern Mills (ex-mill)	Eucalyptus (AD)	189
	Pine (KD) 1st grade	249

Brazil Veneer Prices

Veneer, FOB (Belem/Paranagua Ports)	US$ per m^3
White Virola Face 2.5mm	295
Pine Veneer (C/D)	211

Rotary cut Veneer, domestic	US$ per m^3	
(ex-mill Northern Mill)	Face	Core
White Virola	248	207

Brazil Plywood Prices

Plywood, FOB	US$ per m^3
White Virola (US Market)	
5.2mm OV2 (MR)	440⬇
15mm BB/CC (MR)	365
White Virola (Caribbean market)	
4mm BB/CC (MR)	440
12mm BB/CC (MR)	385

Pine Plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	307⬇
15mm C/CC (WBP)	276⬆
18mm C/CC (WBP)	279⬆

Plywood, domestic (ex-mill Southern mill)		US$ per m^3
Grade MR (B/BB)	White Virola 4mm	847⬆
	White Virola 15mm	520⬆

Domestic prices include taxes and may be subject to discounts.

Other Brazil Panel Prices

Belem/Paranagua Ports, FOB	US$ per m^3
Blockboard Pine 18mm 5 ply (B/C)	315
Domestic Prices, Ex-mill Southern Region	
Blockboard White Virola faced 15mm	553⬆
Particleboard 15mm	347⬆

Brazil Added Value Products

FOB Belem/Paranagua Ports		US$ per m^3
Edge Glued Pine Panel		
Korean market (1st Grade)		651
US Market		499⬇
Decking Boards	Cambara	602
	Ipê	1706⬇

Report from Peru

President calls for greater utilization of natural resources

Peru's President, Alan Garcia, recently criticized those who question Peru's active natural resource utilization, and emphasized the need for Peru to continue its utilization of such resources. Herbert Frey, President of the Lumber Committee of Peru's Exporters Association (ADEX), stated that exporters in the sector accepted the President's challenge to better use natural resources, but pointed out that it would only be possible with the active participation of the state. He added that Peruvian exporters are capable of meeting challenges as stated by the President, which would make it possible for Peru to export USD3 billion per year in the first five years of implementation, with the possibility of generating USD7 billion by 2017. The participation of the state should help design solutions using normative and technical methods to control the resources of the Peruvian Amazon.

Frey proposed that the state must form an autonomous forestry authority at the highest level, involving professionals of unquestionable reputation, with a Directorate advised by representatives of state and private sectors. He noted that the authority should not be the National Institute for Natural Resources (INRENA), but should be a separate body specializing in productive forest management and should promote reforestation in severely felled to clear zones. At the same time, the government must strengthen and improve the capabilities of supervision and control of the Office for the Supervision of Forest Concessions (OSINFOR), allowing it to be an authentic independent and autonomous entity.

Experts gather to discuss future of Peru's forestry sector

The Third National Forestry Convention was recently held in Pucallpa City, where participants discussed several topical issues in the forest sector. The President of the Ucayali Region, Jorge Velasquez, said it was ironic that the cost of transporting wood products cargo from Callao Port to Shanghai was less than from the Ucayali region to Callao Port.

The President of ADEX, Jose Silva Martinoti, said that deforestation is caused by Andean peasants who move to the Peruvian tropics to grow subsistence crops. He said they overuse the land and then abandon it to look for new, more productive land, which repeats the cycle. This practice, said Silva, has resulted in the deforestation of approximately eight million hectares and about 300 thousand hectares annually.

Peru Sawnwood Prices

Peru Sawnwood, FOB Callao Port		US$ per m^3
Mahogany S&B KD 16%, 1-2" random		
lengths (US market)		1861-1887
Spanish Cedar KD select		
North American market		956-1005
Mexican market		974-1011
Pumaquiro 25-50mm AD	Mexican market	490-525

*Cheaper and small-dimension sawnwood for this market.

Peru Sawnwood, FOB Callao Port (cont.)	US$ per m^3
Virola 1-2" thick, length 6'-8' KD	
Grade 1, Mexican market	280-334⬆
Grade 2, Mexican market	238-254⬆
Cumaru 4" thick, 6'-11' length KD	
Central American market	760-795
Asian market	720-760
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	550-585
Dominican Republic	565-575
Marupa (simarouba) 1", 6-11 length Asian market	395-415

Peru Sawnwood, FOB Iquitos	US$ per m^3
Spanish Cedar AD Select Mexican market	940-985⬇
Virola 1-2" thick, length 6'-13' KD	
Grade 1, Mexican market	280-334⬆
Grade 2, Mexican market	238-254⬆
Grade 3, Mexican market	149-169⬆
Marupa (simarouba) 1", 6-13 length KD	
Grade 1, Mexican market	240-245

Peru sawnwood, domestic	US$ per m^3
Mahogany	1300-1345
Virola	120-122
Spanish Cedar	485-495
Marupa (simarouba)	135-138

Peru Veneer Prices

Veneer FOB	US$ per m^3
Lupuna 3/Btr 2.5mm	220-228
Lupuna 2/Btr 4.2mm	220-250
Lupuna 3/Btr 1.5mm	245-255

Peru Plywood Prices

Peru plywood, FOB (Mexican Market)		US$ per m^3
Copaiba, 2 faces sanded, B/C, 15x4x8mm		368-385
Virola, 2 faces sanded, B/C, 5.2x4x8mm		420-427
Cedar fissilis, 2 faces sanded 4x8x5.5mm		755-765
Lupuna, treated, 2 faces sanded, 5.2x4x8mm		365-380
Lupuna plywood	B/C 15x4x8mm	350-358
	B/C 9x4x8mm	345-350
	B/C 12x4x8mm	350-360
	B/C 8x4x15mm	420-430
	C/C 4x8x4mm	380-388
Lupuna plywood B/C 8x4x4mm Central Am.		385-395

Lupuna Plywood BB/CC, domestic	US$ per m^3
(Iquitos mills)	
122 x 244 x 4mm	426
122 x 244 x 6mm	397
122 x 244 x 8mm	403
122 x 244 x 12mm	398
(Pucallpa mills)	
122 x 244 x 4mm	450
122 x 244 x 6mm	439
122 x 244 x 8mm	427
122 x 244 x 12mm	419

Other Peru Panel Prices

Peru, Domestic Particleboard	US$ per m^3
1.83m x 2.44m x 4mm	277
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	198

Peru Added Value Product Prices

Peru, strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1445-1500
Cumaru KD, S4S	Swedish market	650-700
	Asian market	890-930
Cumaru decking, AD, S4S E4S, US market		930-950
Pumaquiro KD # 1, C&B, Mexican market		490-530
Quinilla KD, S4S 2x10x62cm, Asian market		590-620
	2x13x75cm, Asian market	700-730

Report from Mexico

Mexico announces new climate change strategy

According to a news release from the Mexican Embassy in Japan, Mexico will participate in the adoption of one to several long-term global goals to reduce greenhouse gases. The strategy will be implemented by addressing carbon emitting activities including on land, in forests and through cattle raising. As part of the strategy, Mexico will implement the ProTree Programme, which will help establish 250 million trees, reforest 285 thousand hectares and develop 100 thousand hectares of commercial forest plantations in 2007 alone.

Report from Panama

Panama Log Prices

Logs, FOB Manzanillo/Balboa		
	cm measured girth	FOB $ Avg unit value per m^3
Teak	40-49	163
	50-59	195
	60-79	223
	80-99	275
	110-130	335
	131+	365

Report from Bolivia

Bolivia's wood products exports reach US$71 million at end August

Bolivia's wood products exports reached USD71 million in the first eight months of 2007, a 14.4% increase in value compared to the same period in 2006. Last year, sawnwood accounted for 70% of total growth in wood products exports, while in 2007 the growth was caused by high value-added products. High value-added products represented 65% of the total value of wood products exported this year, compared to 58% last year, and represented a 45% rise in volume, compared to 41% in 2006.

Of the USD46 million high value-added products exported, furniture accounted for 38%, doors 24%, flooring 12%, veneers 9%, fiber boards 8%, and plywood 3%. The US was the destination country for 43% of these exports and EU countries imported 32%. Regarding sawnwood and other less value-added products, the US imported 28%, EU 20%, China 16%, Argentina 13% and the Dominican Republic 8%.

Bolivia Sawnwood Prices

Sawnwood 1-3"x3x5"x7-19', FOB Arica Port		$ Avg un. val. per m^3
Mahogany	(US market)	1590-1800⬆
Spanish Cedar	(US market)	500-980⬆
Oak	(US and EU market)	615-790⬆

Bolivia Added Value Product Prices

Doors 13/4"x36"x96", FOB Arica Port		Avg $ per piece
US market	Mara macho/Tornillo (FSC)	100-400⬆
	Yesquero	125-485⬆
	Ochoó	120-495⬆

Report from Guyana

Government workshops promote enforcement of regulations on wood processing

The Guyana Forestry Commission (GFC) recently hosted a workshop to promote the enforcement of regulations by stakeholders. This is the second session being held in the country to help forestry stakeholders to better understand new regulations for processing, which will be put into effect from January, 2008. Robert Persaud, Minister of Agriculture, said the workshop was part of a greater initiative to 'create a modern and sustainable forestry sector that will meet the requirements set at the national and international levels'. He noted that Guyana's forestry activities have a global impact and there is need to ensure efficiency and effectiveness in accordance with international requirements. The Minister also indicated that the forestry sector was growing in a national context in terms of employment opportunities and in local and foreign investment.

The Agriculture Minister pointed out that the new GFC Act, which was passed in the National Assembly, and the draft forest bill focuses on a renewed role for the Commission to ensure compliance with necessary regulations and guidelines at all levels. Minister Persaud is encouraging stakeholders to ensure that they work with the GFC and comply with the regulations. He noted that the GFC will ensure wrongdoings are addressed and wherever there are breaches, they will be corrected. This is not aimed at reducing log exports but would create more economic benefits. A national log export policy will be finalized shortly and there will be greater monitoring of logging activities.

During the workshop, Commissioner of Forestry, James Singh, delivered a presentation on some of the issues that would be targeted under the new regulations, including the need for more mechanization, the use of modern facilities and technology, better consumer loyalty, improved safety and more processing activities. Concession holders were mandated to prepare a Forest Management Plan and an Annual Operational Plan, which must be based on a 100 percent inventory of the concession. In addition, they are required to ensure that all their employees are knowledgeable about GFC guidelines and that these are properly implemented. These include proper completion and timely submission of documentation (removal, permits, transshipment, sawmill returns etc) and strict compliance with log-tagging procedures.

Other stakeholder meetings on similar issues have been held to emphasize that timber sector activities are not solely focused on economic activities. During another stakeholder workshop, Minister Robert Persaud said that the work of the government through the GFC has helped focus on social and policy aspects to 'ensure there is equitable access to natural resources'. Stakeholders were allowed to express their views on the regulations, during which they spoke about the future of chainsaw operations, the need for capital to ensure compliance with some of the procedures and the government's input to the process. Stakeholders were advised that the regulations were not aimed at ceasing chainsaw operations, but would seek to regularize the system.

Guyana Log Prices

Logs, FOB Georgetown	SQ - $ Avg unit value per m³		
	Std	Fair	Small
Greenheart	-	110-120	105
Purpleheart	-	-	140
Mora	-	-	100-105

*Small SQ is used for piling in the USA and EU. Price depends on length.

Guyana Sawnwood Prices

Sawnwood, FOB Georgetown		$ Avg unit val. per m³	
EU and US markets		Undressed	Dressed
Greenheart	Prime	none	509-945
	Select/Standard	530-615	500-615
Purpleheart	Prime	509-636	615-848
	Select/Standard	500-615	530-615
Greenheart scantlings		-	-

Guyana Plywood Prices

Plywood, FOB Georgetown Port			$ Avg unit val. per m³
Baromalli	BB/CC	5.5mm	-
		12mm	-
	Utility	5.5mm	-
		12mm	345

Report from Japan

Ocean freight costs raise log prices

Japan Lumber Reports indicated that the log market was quiet, with low demand and supply. Tokyo markets have about four months' worth of logs in supply and ports in other areas have also reported ample supply. The appreciating yen affected the fall in market prices for logs. However, freight costs have risen about USD5 per m³ in November for freights from Sarawak and Sabah, resulting in freight costs of about USD40 per m³. While importers and mills are somewhat resistant to this price hike, shipping companies remain firm on the increased cost of freight.

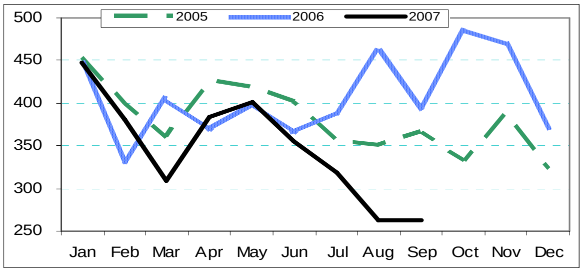
Shimane plywood to substitute for Southsea hardwood

A Nisshin group company, Nishi-Nihonkai Plywood Co., has decided to use Shimane (softwood) plywood instead of South Sea hardwoods, said *Japan Lumber Reports.* After 42 years of operation, the high cost and declining availability of materials has persuaded the company to substitute the new material for the hardwoods. The company's plywood property in Shimane-ken Plywood Cooperative will be leased and it will remodel its plywood plant to manufacture softwood plywood.

Plywood imports continue to tumble

Plywood imports continue to fall, down 33% from the same month one year ago. The continued drop in plywood imports is affected mostly by drops in housing starts, which have dropped to all time lows (see story below). Inventories at plywood mills also have not sold their supply of plywood, as buyers are addressing immediate needs only. At the same time, prices for imported plywood are falling. *Japan Lumber Reports* said that Seihoku group, the largest plywood manufacturer in Japan, was reducing its production in November.

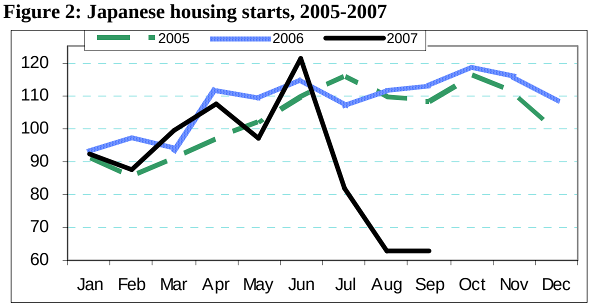
Figure 1: Japan Plywood Imports 2005-2007 (000 m³)



Japanese housing starts continue to fall in September

Housing starts continued to drop in September (Figure 2), after reaching 42 year lows last month. September housing starts were 44% lower than a year ago and represent the largest drop in history. Wood-based units account for 60% of the total amount. The drop continues to be attributed to the tighter laws implemented under the Building Standards Act, which was implemented in June.

Figure 2: Japanese housing starts, 2005-2007



Log and Sawnwood Prices in Japan

Logs for Ply Manufacture, CIF	Yen per Koku
Meranti (Hill, Sarawak)	(Koku=0.278 m^3)
Medium Mixed	8,550↓
Standard Mixed	8,650↓
Small Log (SM60%, SSM40%)	7,850↓
Taun, Calophyllum, others (PNG)	7,850↓
Mixed light hardwood, G3/4 grade (PNG)	7,500↓
Okoumé (Gabon)	14,000
Keruing MQ & up (Sarawak)	9,900
Kapur MQ & up (Sarawak)	9,600

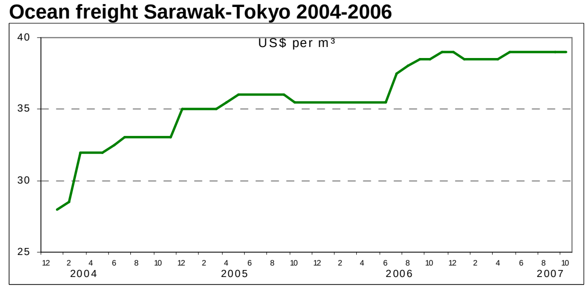
Logs for Sawmilling, CIF	Yen per Koku
Melapi (Sarawak) High Select	11,000
Agathis (Sarawak) High Select	10,800

Lumber, FOB	Yen per m^3
White Seraya (Sabah) 24x150mm, 4m, Grade 1	150,000
Mixed Seraya, Sangi 24x48mm, 1.8-4m, S2S	53,000

Wholesale Prices (Tokyo)

Indonesian & Malaysian Plywood	Size (mm)	Oct	Nov
		(¥ per sheet)	
2.4mm (thin plywood, F 4star, type 2)	920 X 1830	370	370
3.7mm (med. Thickness, F 4star, type1)	910 X 1820	580	560 ↓
5.2mm (med. Thickness, F 4star, type 1)	910 X 1820	690	670 ↓
11.5mm for sheathing (F 4star, type 2)	910 X 1820	950 ↓	930 ↓
12mm for foundation (F 4star, special)	910 X 1820	980	960 ↓
12mm concrete-form ply (JAS)	900 X 1800	950 ↓	930 ↓
12m coated concrete-form ply (JAS)	900 X 1800	1250 ↓	1190 ↓
11.5mm flooring board	945 X 1840	1500 ↓	1480 ↓
3.6mm baseboard for overlays (OVL)	1230 X 2440	930 ↓	930
OSB (North American)			
12mm foundation of roof (JAS)	910 X 1820	1000	1000
9mm foundation for 2 by 4 (JAS)	910 X 2440	1050	1050
9mm conventional foundation (JAS)	910 X 2730	1250	1250
9mm conventional foundation (JAS)	910 X 3030	1350	1350

Ocean freight Sarawak-Tokyo 2004-2006



More information on Japan in www.n-mokuzai.com

Report from China

China experiences rapid growth during first three quarters of 2007

According to the latest statistics from China customs agencies, foreign trade of China's major wood products continue to grow rapidly in the first three quarters of 2007. The total value of China's major wood products imports and exports rose 31.9% to USD42.43 billion. Of the total, the value of China's major wood products imports grew 24.3% to USD17.81 billion and the value of China's major wood products export rose 27.8% to USD24.63 billion. The trade surplus of wood products broke a record high again and reached USD6.82 billion, up 59.8% from the same period in 2006. The following report discusses the import and export situation during the first three quarters of 2007.

1.1 Imports

Logs

China's log imports totaled 28.71 million m^3 and were valued at USD4.07 billion during January to September of 2007, up 18% in volume and 42.3% in value from the same period in 2006. Of the total, softwood log imports amounted to 17.92 million m^3 in volume and USD1.81 billion, accounting for 62% in volume and 44% in value. Hardwood log imports were 10.78 million m^3 in volume and valued at USD2.26 billion, making up 38% in volume and 56% in value. Among hardwood logs, tropical log imports were 6.52 million m^3 in volume, accounting for about 23% of the national total and up 15.7% from the same period in 2006.

China's log imports were still mainly from Russia and were 19.81 million m^3 in volume and valued at US$2.05 billion, up 18% in volume and 38% in value from the same period in 2006. Log imports for January to

September 2007 for the main suppliers are listed in Table 1 below.

Table 1. China log imports by major country of origin, January–September 2007

Country	Volume (thousand m³)	Proportion(%)
Total	28 705.6	100
Russia	19 805.5	69.0
Papua New Guinea	1 873.5	6.5
Malaysia	985.0	3.4
New Zealand	940.8	3.3
Gabon	808.7	2.8
Solomon	771.1	2.7
Germany	538.8	1.9
Myanmar	447.1	1.6
Equatorial Guinea	430.9	1.5
Australia	340.5	1.2
US	248.7	0.9
Congo	234.7	0.8
Cameroon	208.6	0.7

Regarding customs agencies' reported imports, Manzhouli Customs ranked first in terms of volume, receiving 8.48 million m^3, or 29.5% of the national total. Harbin and Nanjing customs followed closely behind (see Table 2).

Table 2. China logs imports by main customs authorities, January-September 2007

Customs	Volume (thousand m³)	Proportion(%)
Total	28 705.6	100
Manzhouli	8 481.2	29.5
Harbin (Suifenhe as its leading port)	6 420.4	22.4
Nanjing (Zhangjiagang as its leading port)	6 167.1	21.5
Hohhot (Erlian as its leading port)	2 388.2	8.3
Guangdong	1 279.3	4.5
Shanghai	1 260.4	4.4
Xiamen, Fuzhou	544.9	1.9
Hanghzou, Ningbo	433.1	1.5
Dalian	367.5	1.3
Kunming (Ruili、Tengchong、Yingjiang)	290.8	1.0

Note: Guangdong Customs includes Guangzhou, Huangpu, Shenzhen, Gongbei, Shantou, Zhanjiang and Jiangmen.

Sawnwood

In the first three quarters of 2007 China's total sawnwood imports were 4.85 million m^3 worth USD1.32 billion, up 4.9% in volume and 4.8%in value from the same period in 2006. China's sawnwood imports were mainly from Russia (1155.0 thousand m^3), the US（803.5 thousand m^3), Thailand (512.3 thousand m^3), Canada (489.8 thousand m^3) and Malaysia (239.2 thousand m^3). Other countries whose exports to China exceed 100,000 m^3 are listed in Table 3.

Table 3. China sawnwood imports by major country of origin, January- September 2007

Country	Volume (thousand m³)	Proportion(%)
Total	4 809.2	100
Russia	1 155.0	24.0
US	803.5	16.7
Thailand	512.3	10.7
Indonesia	489.8	10.2
Malaysia	239.2	5.0
Canada	210.8	4.4
Brazil	191.4	4.0
New Zealand	190.7	4.0
Myanmar	157.6	3.3

During January to September 2007, ports in coastal cities and on Chinese-Russia border were the main areas importing sawnwood (see Table 4).

Table 4. China sawnwood imports by main customs authority, January-September 2007

Customs	Volume (thousand m³)	Proportion(%)
Total	4 809.2	100
Guangdong	1 571.3	32.7
Shanghai	1 010.3	21.0
Manzhouli	673.0	14.0
Hohhot	282.9	5.9
Dalian	179.8	3.7
Harbin	162.3	3.4
Kunming	162.1	3.4
Qingdao	161.4	3.4
Xiamen, Fuzhou	136.5	2.8
Ningbo, Hangzhou	120.9	2.5

Plywood

During January to September 2006, China's plywood, fiberboard and particle board imports continued to decline. Plywood imports were 238,700 m^3 and USD133 million, down 29.8% in volume and 18.3% in value from the same period in 2006. China's plywood imports were still mainly from Indonesia (114,400 m^3, 48%) and Malaysia (73,500 m^3, 30.8%).

Fiberboard and particleboard

During January to September of 2007 China fiberboard imports totaled 337,700 tons valued at USD130 million, down 22.3% in volume and 12.5% in value from the same period in 2006. China's particleboard imports amounted to 242,900 tons worth US$75.72 million, up 13% in volume and 3.8% in value.

Paper pulp and waste paper

Paper pulp and waste paper imports were 6.42 million tons valued at USD4.12 billion, up 4.8% in volume and 26.3% in value from the same period in 2006. Waste paper imports continue to grow rapidly to 17.41 million tons worth USD3.0 billion, up 18.9% in volume and 34% in value from the same period in 2006.

China's paper pulp imports were mainly from Canada, Indonesia, Chile, Russia and the US. Waste paper imports were mainly from the US, Japan, the UK, the Netherlands and Hong Kong (see table 5).

Table 5. China's woodpulp and waste paper imports, January-September 2007

Country	Woodpulp		Country and region	Waste paper	
	Imports (thousand tons)	% of total		Imports (thousand tons)	Proportion （%）
Canada	1 635.3	25.5	US	7 000.0	40.2
Indonesia	845.6	13.2	Japan	2 496.8	14.3
Chile	830.3	12.9	UK	2 084.2	12.0
Russia	765.3	11.9	Nether-lands	1 275.2	7.3
US	735.8	11.5	Hong Kong	789.0	4.5
Total	6 415.8	100.0	Total	17 406.5	100.0

Wooden furniture

A sharp increase can be seen in the value of wooden furniture imports. The total value of wooden furniture imports rocketed 98% to USD142 million and ranked first in terms of growth of wood products imports in the first three quarters in 2007.

Wooden chips imports also showed an increasing trend due to huge demand for paper making raw materials. Wooden imports amounted to 785,600 tons worth USD106 milion, up 28.4% in volume and 30.7% in value from the same period in 2006.

1.2 Exports

Sawnwood

China's sawnwood exports continued to decline due to the expansion of domestic demand and the regulation of its trade policies. During January to September of 2007 China's sawnwood exports were 590,600 m^3 in volume and US$300 million in value, down 7.4% in volume and 14.5% in value from the same period in 2006. China's sawnwood was mainly exported to Japan (319,000 m^3, 55.3%), as well as to the South Korea (63,400 m^3) and the US (52,200 m^3).

Wood-based panels

Exports of plywood, fiberboard and particleboard have increased quickly in tandem with the rapid development of the domestic wood-based panel industry in recent years. During January to September 2007, China's plywood exports totaled 6.75 million m^3 earning USD2.68 billion, up 14.1% in volume and 30.7% in value from the same period in 2006. China's fiberboard exports totaled 1.79 million tons and were valued at USD825 million, up 71.5% in volume and 82.1% in value from the same period in 2006. China's particleboard exports totaled 911,000 tons earning USD26.25 million, up 41.5% in volume and 45% in value from the same period in 2006.

China's plywood was mainly exported to the US (1,501,300 m^3, 22.3%), Japan (535,100 m^3), the UK (398,800 m^3) and South Korea (366,000 m^3).

During January to September 2007, China's main customs authorities tracking exported plywood were Nanjing, Qingdao, Guangdong etc. (see Table 6).

Table 6. China imports of Chinese plywood by main customs authority, January-September 2007

Custom	Exports	
	(thousand m^3)	Proportion (%)
Total	6 746.7	100
Nanjing	2 649.2	39.3
Qingdao	2 317.5	34.4
Guangdong	281.0	4.2
Tianjin	255.2	3.8
Dalian	253.5	3.8

Wooden furniture

During January to September of 2007, China's wooden furniture exports were 208 million pieces, earning USD7.67 billion, up 57.6% in pieces and 32.9% in value from the same period in 2006. China's wooden furniture was mainly exported to the US, EU and Japan. In the first three quarters of 2007, 48.8% of China's wooden furniture exports were to the US and were valued at USD3.74 billion. Thirty-five percent of the total value of wooden furniture exports used imported timber for processing.

Paper, paperboard and paper products

In the first three quarters of 2007, paper and paperboard exports totaled 3.02 million tons and were valued at USD274 million, up 48.4% in volume and 45.3% in value from the same period in 2006. Paper products exports amounted to 1.91 million tons and were worth USD2.92 billion, up 17.3% in volume and 28.7% in value from the same period in 2006. Paper, paperboard and paper products have been ranked second among major foreign exchange earners, outpaced only by wooden furniture (see Table 7).

Table 7. China exports by value for wood products with export value >USD1 billion, January-September 2007

Products	Wooden Furniture	Paper, Paperboard And Paper Products	Plywood
Export value (billion US$)	7.673	5.192 (paper products 2.918)	2.681
Growth (%)	32.9	45.3	30.7
Proportion（%）	31.2	21.1	10.9

Other wooden products

According to China Customs statistics, other wooden products exports were 1.65 million tons and were USD2.79 billion in value, up 0.2% in volume and 4.3% in value from the January-August period in 2006. Of the total, the value of wooden products exports for construction amounted to USD803 million, making up 28.8% of the total value; the value of craftwork exports was USD340 million of the total value (12.2%)；the value of wooden tableware and kitchenware exports was USD247 million (8.9%); the value of 'other' exports reached USD1.40 billion (50%).

Rosin and rosin products

Rosin and rosin products exports amounted to 377,900 tons in volume and USD372 million in value, up 17.3% in volume and 4.3% in value from the same period in 2006.

Guangzhou City Imported Timber Market

Logs	Yuan per m^3
Radiata 6m, 30cm diam.	1300
Luan	2200-2300 ↓
Kapur	1900-2350
Merbau 6m, 60cm diam.	5000-5300 ↑
Keruing 60cm+ diam.	1900-2300
Beech 6m,30cm veneer Qual.	3300-3600
Sawnwood	
Teak Boards 4m+ for flooring	10000-13000
US Maple 2" KD	8800-12800
US Cherry 2"	12000-15000
US Walnut 2"	12500-15300
SE Asian Sawn 4m+, KD	4300-4350
Plywood	Yuan per sheet
4x8x3mm	20-34
4x8x18mm	149-188

Shanghai Furen Wholesale Market

Sawnwood		Yuan per m^3
Beech KD Grade AB		2500-3200
US Cherry, 25mm		11000-13000
US Red Oak, 50mm		10000-11000
Sapele 50mm FAS (Congo)	AD	6600-6800
	KD	7200-7300

Shandong De Zhou Timber market

Logs		Yuan per m^3
Larch	6m, 24-28cm diam.	1230
White Pine	6m, 24-28cm diam.	1220
Korean Pine	4m, 30cm diam.	1500
	6m, 30cm diam.	1550

Hebei Shijiangzhuang Wholesale Market

Logs		Yuan per m^3
Korean Pine 4m, 38cm+ diam		---
Mongolian Scots Pine	4m, 30cm diam.	1370
	6m, 30cm+ diam.	1380
Sawnwood		
Mongolian Scots Pine	4m, 5-6cm thick	1550
	4m,10cm thick	1550

Tian Jin City Huan Bo Hai timber Market

Logs	Yuan per m^3
Okoume 80cm+	3000
Sapele 80cm+	5350
Padauk 40cm+	6000
Sawnwood	
US Black Walnut 2.2-4m, 5cm thick	16000
Padauk 2.2-3.2m, 5cm thick	11000
Sapele 2.2-2.6m, 5cm thick	6800
Ash 4m, 5cm thick	4300

For more information on China's forestry see: www.forestry.ac.cn

Report from Europe and Scandinavia

High prices for Indonesian plywood result in searches for alternative markets

EUWID said the price difference between Indonesian and Chinese plywood has narrowed in recent weeks. While many inquiries for Indonesian products have been made, the inquiries do not usually result in firm orders. Moreover, as Malaysian prices for raw plywood are sold at a lower price than in Indonesia, importers are substituting raw Malaysian plywood for Indonesian plywood.

Demand for African lumber falls

Demand for African lumber in Europe has yet to recover from the lows experienced during the summer holidays, reported *EUWID*. Part of the falling demand is due to better availability of meranti, for which sales have risen due to the falling US dollar. Importers report that receipts for African lumber are lower than in 2006. Specific deliveries of sapele have been delayed, demand for sipo has fallen, and procurement for good-quality wawa has become difficult due to the ongoing flooding. However, due to the possible EU ban on Myanmar teak, iroko lumber is being used as a substitute, resulting in rising prices for the species. At present, German importers have not increased prices in the last few weeks, despite rising conventional shipping costs.

German demand slows for bangkirai and meranti

German importers have reportedly decreased their contracts for bangkirai decking, said *EUWID*. Contrary to importers' behavior during last year's Ramadan period, buying has not increased for bangkirai decking in 2007, since last year buying activity was heavy but supply failed to sell in summer 2007. Similarly, contracts for meranti lumber and laminated meranti scantlings are being ordered in low quantities. Low qualities of both bangkirai and meranti are not selling well and importers are looking for higher-quality materials to maximize profits.

In anticipation of the fall of demand and the recent Ramadan holiday, some Southeast Asian suppliers have cut back production in mid-October, resulting in limited supply for buyers. *EUWID* reported that there were fears that shippers might negotiate too low contracts due to the available supply, which would result in a bottleneck when supply picked up. At present, Indonesian and Malaysian shippers have not reduced their prices for meranti and bangkirai and have even asked for higher prices due to rising freight costs. Prices for 2008 are largely stable at present. In Germany, however, high stocks have negatively impacted sales prices for large scale buyers of meranti and bangkirai.

Report from the UK

UK furniture sector may be hit in 2008

Some experts have indicated that the furniture sector is likely to underperform in 2008, said *TTJ*. Oxford Economics has forecast that furniture would rise in volume only 1.7% in value and 0.1% in volume next year, and said that the 2008-2011 period would increase on average of 1.9% in volume and 3.5% in value. From January – August 2007, sales fell 2% compared to the same period in 2006. Experts expect that without price changes, the volume of second quarter spending in 2007 will be 2.9% lower than the previous quarter. New figures show that furniture imports have grown during the second quarter of 2007 by 2.2%, even though demand fell.

TTJ Wood Futures Conference highlights challenges of green building

TTJ Wood Futures Conference hosted a number of speakers on green building. A representative from Travis Perkins' explained the demands of the company to meet certification requirements and broader green credentials given government targets requiring new homes to be 'sustainable' and emit 'zero carbon'. A representative from TRADA also pointed to the demands on traders, noting that traders can show they are eco-friendly by learning from the latest codes being developed in Westminster and Brussels.

UK demand for hardwoods wanes amidst supply and logistics problems

TTJ analyzed the recent hardwoods situation in the UK, saying that booking space on vessels, especially from the Far East, had complicated purchases. It also noted that prices for Côte d'Iviore framire rose due to tight supply, largely caused by buyer preferences to process iroko at higher margins. Additionally, the UK market continues to demand keruing thin boards, which are in short supply, and are considering using kapur as an alternative. Finally, Brazilian hardwoods used for decking are being demanded at firm prices, due to the weak dollar, although demand has been weak since the summer months.

UK Log Prices

FOB plus commission		€ per m^3
N'Gollon (khaya)	70cm+ LM-C	227-238
Ayous (wawa)	80cm+ LM-C	227-238
Sapele	80cm+ LM-C	285-290⬆
Iroko	80cm+ LM-C	297-310

UK Sawnwood Prices

FOB plus Commission	Pounds per m^3
Teak 1st Quality 1"x8"x8'	2035-2350
Tulipwood FAS 25mm	440-455
Cedro FAS 25mm	420-430
DR Meranti Sel/Btr 25mm	390-405
Keruing Std/Btr 25mm	295-315
Sapele FAS 25mm	460-465⬆
Iroko FAS 25mm	430-450
Khaya FAS 25mm	420-430
Utile FAS 25mm	410-420
Wawa No.1 C&S 25mm	230-240

UK Plywood and MDF Prices

Plywood Panels 8x4", CIF	US$ per m^3
Brazilian WBP BB/CC 6mm	640
Indonesian WBP BB/B 6mm	600-630
MDF	Pounds per $10m^2$
Eire, BS1142 12mm	54

Report from North America

US House Natural Resources Committee passes compromise Lacey Amendment

The International Wood Products Association (IWPA) indicated that House Resolution (HR) 1497 on the Lacey Act amendment, which was supported by IWPA, was unanimously passed by the House Natural Resources Committee. The amendment provides 'innocent owner' protection and limits the 'foreign law requirements' to natural resources law only. The penalty for accidental paperwork errors was reduced to USD250, instead of the previous proposal of USD10,000. The bill has yet to pass in the Senate, and Senator Ron Wyden (Democrat – Oregon) has proposed his own version of the amendment. IWPA continues to work with Congressional parties to encourage the Senate to use amended language contained in HR 1497.

Peru FTA passes in US House of Representatives

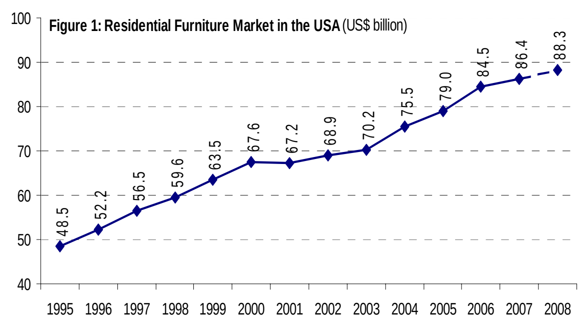
The IWPA reported on a recent vote to pass the Peru Free Trade Agreement in the House, by a vote of 285 to 132. IWPA noted that the FTA includes an annex on illegal logging, which requires full compliance with CITES regulations, particularly for the CITES listed species of bigleaf mahogany (CITES Appendix II) and Spanish cedar (CITES Appendix III). The FTA has yet to pass in the U.S. Senate.

Canada outpaces US residential furniture market

During the past two decades, the Canadian market for residential furniture performed better than the American market for residential furniture, despite the fact that the US economy outperformed the Canadian economy in most years. Between 1995 and 2007, the American furniture market (at retail prices) grew by 82% but the Canadian market grew by 141%. In 2007, the gap has been further magnified due to the economic slowdown and of the US housing market.

At the present time, the strength of the American economy is uncertain. GDP growth has been declining continuously from its peak in the 1st quarter of 2006 and growth this year will be only around the 1.9% mark. This is the lowest rate since 2003 (1.8%) and compares to 2.9% last year. While experts expect a modest GDP improvement next year, the rate is not likely to surpass 2.5%.

Personal income growth is an important force driving furniture consumption. Income growth in the US stood at 6.6% last year, up from 5.9% the year before. However, in conjunction with less robust employment growth in 2007, personal income growth may slow down to about 6.2% this year and below the 5% mark in 2008. After eliminating the impact of inflation and taxes, the growth rate of real disposable income will be even less, only about 3.0% this year and 2.7% in 2008.



Source: AKTRIN

Growth of American consumer spending stood at 3.1% last year. Due to sagging consumer confidence, it will lag behind the growth of personal income. While this year's growth may drop only moderately to about 2.8%, the decline in 2008 may be more pronounced and reach an anticipated level of 2.3%.

The durable consumer goods market is subject to fluctuations. In 2006, American spending on durable consumer goods was 3.8% ahead of the previous year and is expected to continue at the same rate in 2007. However, the 2008 annual rate is likely to fall to 1.5%.

Residential construction remained a strong sector of the American economy until the middle of 2006. Thereafter, the market went into a tail-spin. In value terms, last year showed a drop of 4.6% compared to 6.6% growth the previous year. The housing market remains oversupplied and is predicted to suffer another hefty decline of 15.7% this year and a further decline of about 8.7% in 2008. In volume terms, this translates to 2.07 million new housing units in 2005, 1.81 million last year, an expected 1.42 million in 2007 and only 1.32 million next year.

In line with growth of disposable income, furniture consumption in the US rose at a rate of 6.9% in 2006, up from 4.7% the year before. This year may experience a painful slowdown to an anticipated rate of only 2.2%. This would bring the market value to about US$86.4 billion this year compared to US$84.5 billion last year. Growth for 2008 may be at the same slow speed, lifting the market to about US$88.3 billion.

Canada's economy was strong in 2006, progressing at a rate of 2.8%. Nevertheless, GDP growth has slowed in 2007, advancing at an estimated rate of 2.5%. Personal income rose at a healthy pace of 6.1% in 2006. In conjunction with the US slowdown, it decelerated to about 5.0% this year. In view of the promised income tax cuts by the government, growth is likely to stay at this pace in 2008.

The Canadian residential housing market advanced by 2.1% on a value basis in 2006, down from 3.5% the year before. However, the market is saturated now and demand is waning. We predict a 1.6% growth rate this year and only 0.9% in 2008. Nevertheless, the Canadian residential construction industry will still show a modest positive growth. However in unit terms, residential housing starts in Canada are also declining. In 2006, Canadian housing units amounted to 228,000 in 2006, 215,000 in 2007 and are expected to only reach 190,000 in 2008.

Canadian consumer spending is an important positive force contributing to the economy's overall growth and rose at an annual rate of 4.0% during the past two years. Due to the slowing economy a growth rate of 3.9% is anticipated in 2007 and 3.2% in 2008.

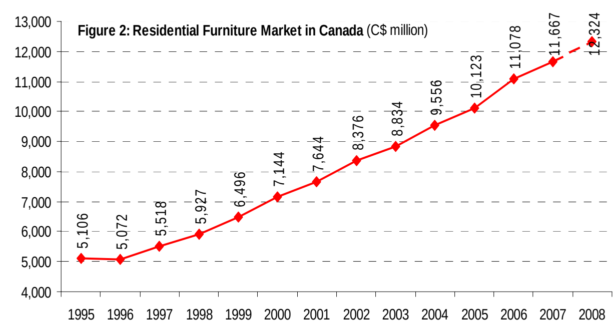


Figure 2: Residential Furniture Market in Canada (C$ million)

Source: AKTRIN

Expenditures for durable consumer goods (which includes furniture) are quite buoyant. Growth will likely come in at a healthy 7.9% this year up from 7.1% in 2006. However, as consumer confidence is declining, experts predict that durable consumer good sales to advance by only 3.7% next year and possibly as low as 3.0% in 2009.

The Canadian furniture market (at retail prices) has been advancing continuously since the third quarter of 2002. Growth stood at 9.4% in 2006. A slowdown to 5.3% growth is expected in 2007 and 5.6% growth is expected in 2008. The size of the Canadian furniture market in 2006 stood at C$ 11,078 million (evaluated at retail prices). Experts anticipate that market valuation will reach approximately C$ 11,667 million this year and climb to C$ 12,324 million in 2008.

US Imported Sawnwood Prices

FOB unit value prices		Avg $ per m^3	
		July	Aug
Balsa*	(Ecuador)	403	403
Mahogany**	(Peru)	1374	1374
	(Bolivia)	1699	1699
Mahogany*	(Peru)	1821	1821
Virola**	(Brazil)	382	382
Virola*	(Brazil)	380	380
Red Meranti	(Malaysia)	1030↑	1030
	(Indonesia)	1047↑	1047
Teak**	(Taiwan)	2125	2125
Keruing**	(Malaysia)	589	589
Keruing*	(Malaysia)	599	599

*Dimension lumber; **Rough lumber; Quality variations may greatly influence monthly average prices. Data is subject to frequent revisions.

US Imported Veneer Prices

FOB avg unit value ($ per m^2)	July	Aug
By species (all countries)		
Meranti	11.5↑	11.5
Non-meranti	1.3	1.3
By country (all tropical species)		
China	0.6	0.6
Ghana	1.1	1.2↑
Côte d'Ivoire	1.2	1.2
India	25.3	25.3
Thailand	2.6	2.6
Gabon	1.2	1.2
Brazil	1.9	1.9
Italy	3.4	3.4

Quality variations may greatly influence monthly averages. Data subject to frequent revisions.

US Imported Plywood Prices

FOB avg unit value ($ per m^3)	July	Aug
All tropical plywood		
Indonesia	470	470
Malaysia	379	379
China	325	325
Brazil	418	418
All	384	384
Mahogany		
Canada	791	791
Brazil	430	430
China	915	915
Meranti, white luan, sipo, limba		
China	292	292
Taiwan PoC	1344	1344
Brazil	448	448

Quality variations may greatly influence monthly averages. Data subject to frequent revisions.

Internet News

Below are web links to news items published by the press. These items do not necessarily reflect the views and policies of ITTO.

Brazil is a ‘quiet green giant’ leading the fight against climate change, but its pioneering use of biofuels should be studied carefully before being emulated, UN chief Ban Ki-Moon said. The UN Secretary General, in a speech at factory producing ethanol from sugarcane in southeast Brazil, praised the South American nation’s eco-initiatives, but stopped short of fully endorsing its policy of converting of food crops into fuel.
http://www.khaleejtimes.com/DisplayArticleNew.asp?xfile=data/theworld/2007/November/theworld_November339.xml&section=theworld&col=

China's trade surplus grew at a slower pace in October, suggesting that a gradually appreciating yuan may be already taking its toll on exports. A report from the Chinese General Administration of Customs showed that the trade surplus reached a record high level of 27.05 billion dollars in October. The trade surplus increased 13.5% from the previous year. The trade surplus totaled 23.9 billion dollars in September.
http://www.rttnews.com/FOREX/FXTopStory.asp?date=11/12/2007&item=3

European Union leaders will press China for faster action on its swelling trade gap and currency controls at a summit this month, the EU ambassador to China said. The comments reflect growing European urgency over China's multibillion-dollar trade surpluses, an area where Washington long took the lead in lobbying Beijing for reforms.
http://edition.cnn.com/2007/BUSINESS/11/12/china.eu.ap/index.html

Now we face another potential watershed in the world's system of money. Since the breaking of the gold link, the US dollar has become the world's primary measure of value, so much so that bank deposits in Uruguay and bribes paid in Russia are mostly denominated in dollars. But the dollar, like the gold standard before it, is under pressure.
http://www.washingtonpost.com/wp-dyn/content/article/2007/11/11/AR2007111100998.html

The president of Brazil, Luiz Inácio Lula da Silva, said the discovery of reserves that may total as much as eight billion barrels of oil and natural gas might lead the country to join the Organization of Petroleum Exporting Countries. Brazil would not join for at least five years, the amount of time the state-controlled oil company, Petróleo Brasileiro, would need to start output from the Tupi field, da Silva said in Santiago. Brazil would join Venezuela, a founder, and Ecuador, which is to rejoin this month, as the oil cartel's third South American member.
http://www.iht.com/articles/2007/11/11/bloomberg/bxoil.php

Sixteen Asia-Pacific countries will seek to expand their combined forests, an absorber of carbon dioxide, by at least 15 million hectares by 2020 as part of efforts to fight global warming, according to a draft special statement expected to be adopted at their November 21 summit in Singapore. The draft, a copy of which was obtained by a Japanese news agency, calls for 'encouraging environmentally sustainable planning and management of the region's forests while strengthening forest law enforcement and governance to combat illegal logging and other harmful practices. It also stipulates that the 16 countries will set voluntary energy-saving targets and compile action plans by 2009.
http://enews.mcot.net/view.php?id=1263

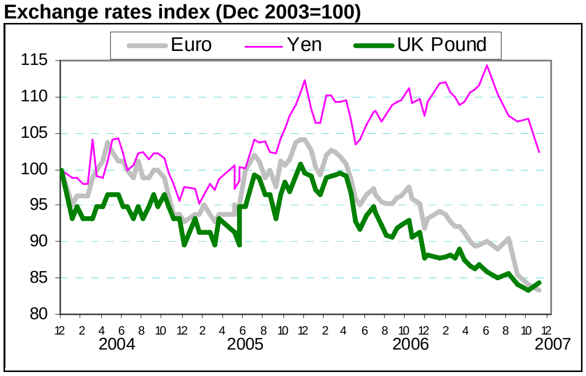
The U.N.'s top climate official warned policymakers and scientists trying to hammer out a landmark report on climate change that ignoring the urgency of global warming would be ‘criminally irresponsible’.
http://www.usatoday.com/weather/climate/globalwarming/2007-11-12-united-nations_N.htm?csp=34

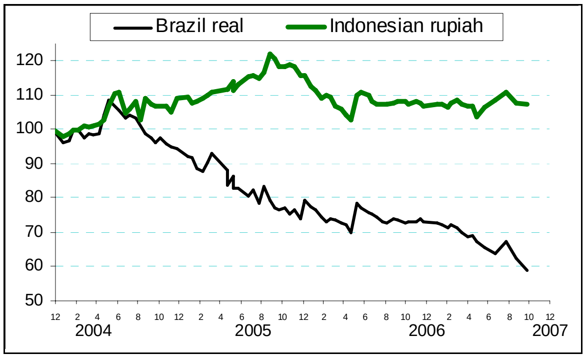
Main US Dollar Exchange Rates

As of 15 Nov 2007

Brazil	Real	1.752	↓
CFA countries	CFA Franc	448.675	↓
China	Yuan	7.422	↓
EU	Euro	0.6840	↓
Indonesia	Rupiah	9,311.00	↑
Japan	Yen	110.35	↓
Malaysia	Ringgit	3.3715	↑
Peru	New Sol	2.9958	↓
UK	Pound	0.4892	↑

Exchange rates index (Dec 2003=100)

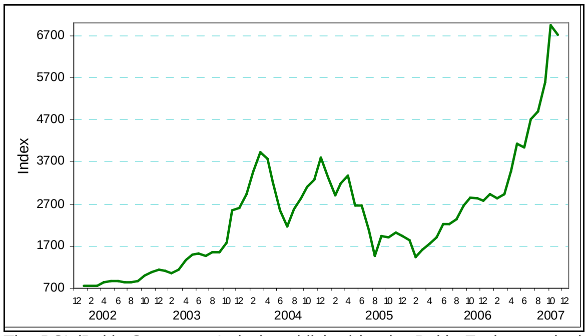




Abbreviations and Equivalences

LM	Loyale Merchant, a grade of log parcel
QS	Qualite Superieure
CI, CE, CS	Choix Industriel, Economique or Supplimentaire
FOB	Free-on-Board
CIF; CNF	Cost, insurance and freight; Cost and freight
KD; AD	Kiln Dry; Air Dry
Boule	A log sawn through and through, the boards from one log are bundled together.
BB/CC, etc.	Log/plywood grades. Letter(s) on the left indicate face veneer(s), on the right backing veneer(s). Grade decreases in order B, BB, C, CC, etc.
BF; MBF	Board Foot; 1000 Board Feet
Hoppus ton	1.8 m^3
Koku	0.278 m^3 or 120 BF
SQ; SSQ	Sawmill Quality; Select Sawmill Quality
FAS	Sawnwood Grade First and Second
GMS	General Market Specifications
MR; WBP	Moisture Resistant; Water and Boil Proof
MDF	Medium Density Fibreboard
PHND	Pin hole no defect grade
$; ↑↓	US dollar; Price has moved up or down

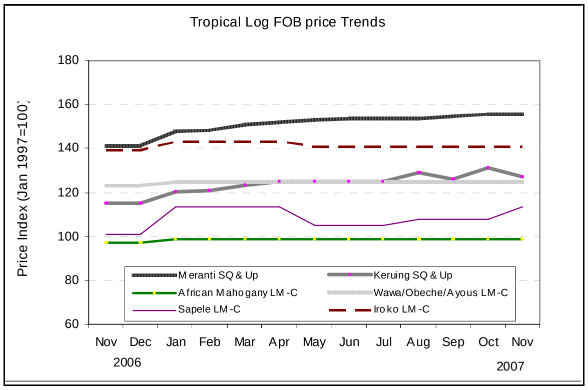
Ocean Freight Index

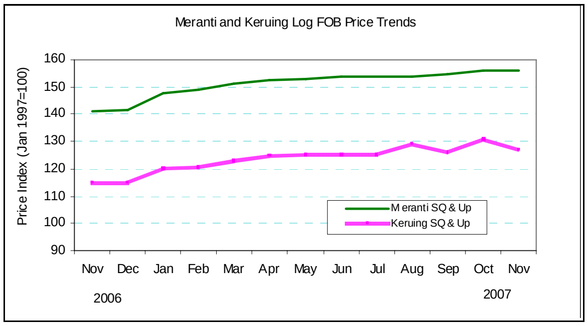


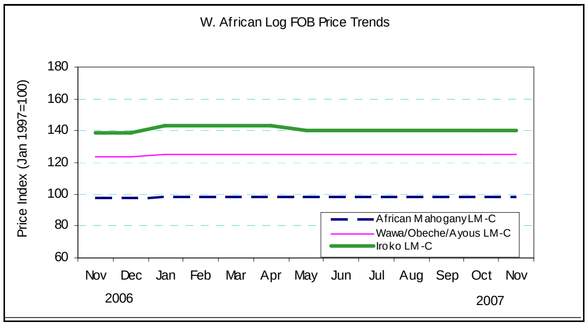
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes. It is based on a 52,454 mt bulk carrier carrying commodities such as timber.

Appendix. Tropical Timber Price Trends

Tropical Log Price Trends

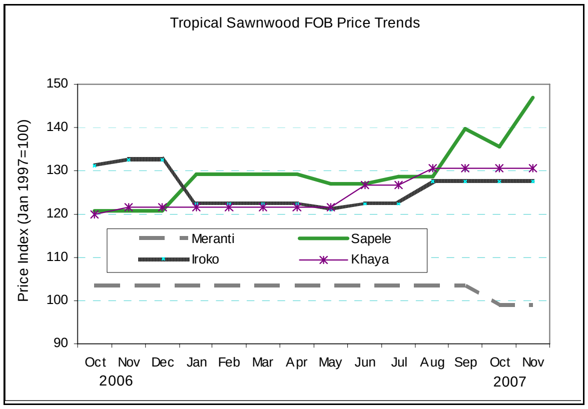


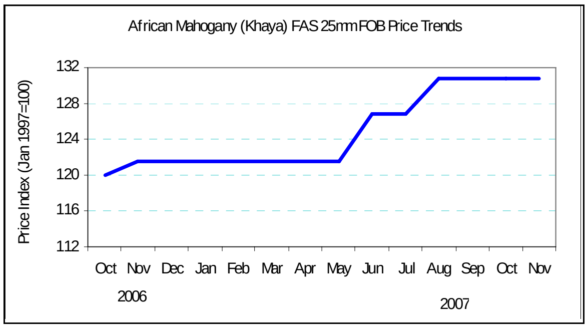


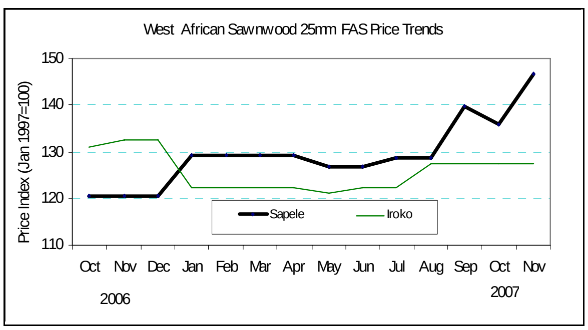


More price trends in Appendix 4, ITTO's Annual Review http://www.itto.or.jp/live/PageDisplayHandler?pageId=199

Tropical Sawnwood Price Trends







Tropical Plywood Price Trends